

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 NSC-05 /065 W

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R 201622Z APR 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0894

SECDEF

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DEFENSE FOR PA&E FOR TULKOFF

E.O. LL652: N/A

TAGS: MPOL, UK, NATO

SUBJ: UK DEFENSE SPENDING

1. HARTE, HEAD OF DS 22, HAS NOW SUPPLIED SOME OF THE DATA REQUESTED BY PA&E. HARTE SAYS THAT MOD HAS NOT "ANSWERED ALL THE EXAMINATION QUESTIONS" AND HE HOPES THAT THE EXPLANATORY NOTES PROVIDED US WILL MAKE "CLEAR WHY WE HAVE NOT BOTHERED TO GO THROUGH THE FULL ANALYSIS OF THE NATO DEFINITION CATEGORY".

2. FIGURES FOR UK DEFENSE SPENDING FOR THE YEARS 1970/1 TO 79/80 AT 1974 AND 1975 SURVEY PRICES, ON UK DEFINITION ARE AS FOLLOWS:

MILLIONS OF POUNDS AT 1974 SURVEY PRICES (UK DEFINITION OF DEFENSE SPENDING)

|            | 70/71 | 71/72 | 72/73 | 73/74 | 74/75 |
|------------|-------|-------|-------|-------|-------|
| PREVIOUS   | 3724  | 3768  | 3694  | 3633  | 3539  |
| PROGRAMS   |       |       |       |       |       |
| DEFENSE    | --    | --    | --    | --    | --    |
| REVIEW CUT |       |       |       |       |       |
| DEFENSE    | --    | --    | --    | --    | 3539  |

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REVIEW PROGRAM

APRIL 75 CUTS -- -- -- -- --  
 PROGRAM AFTER -- -- -- -- --  
 APRIL 75 CUTS  
 FEB 76 CUTS -- -- -- -- --  
 PROGRAM AFTER -- -- -- -- --  
 FEB 76 CUTS  
     75/76 76/77 77/78 78/79 79/80 AVG  
                     80-81/8  
 PREVIOUS 4000 4070 4150 4300 4390 4470  
 PROGRAM  
 DEFENSE 300 270 350 500 615 670  
 REVIEW CUT  
 DEFENSE 3700 3800 3800 3800 3775 3800  
 REVIEW PROGRAM  
 APRIL 75 CUTS -- 110 -- -- -- --  
 PROGRAM 3700 3690 3800 3800 3775 3800  
 AFTER APRIL 75 CUTS  
 FEB 76 CUTS -- -- 142 155 132 --  
 PROGRAM AFTER -- -- 3658 3645 3643 3800  
 FEB 76 CUTS

MILLIONS OF POUNDS AT L975 SURVEY PRICES (UK DEFINITION  
 OF DEFENSE SPENDING)

    70/71 71/72 72/73 73/74 74/75  
 PREVIOUS 4577 4631 4540 4462 4350  
 PROGRAM  
     75/76 76/77 77/78 78/79 79/80 AVG 80-81/  
                     88  
 PREV. 4920 5040 5160 5340 5460 5570  
 PROGRAM  
 DEF RE- 372 338 433 617 766 840  
 VIEW CUTS  
 DEF RE- 4548 4702 4725 4723 4694 4730  
 VIEW PROGRAM  
 APRIL 75 -- 136 -- -- -- --  
 CUTS  
 PROGRAM -- 4566 4725 4723 4694 4730  
 AFTER APRIL 75 CUTS  
 FEB 76 -- -- 177 193 164 --  
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CUTS  
 PROGRAM -- -- 4548 4530 4530 4730  
 AFTER FEB 76 CUTS

3. THE FIGURES FOR THE YEARS UP TO 1974/5 ARE ON AN OUT-  
 TURN BASIS AND THOSE FOR THE LATER YEARS ARE ESTIMATED.  
 CONVERSION TO NATO DEFINITION OF DEFENSE ADDS POUNDS 150-  
 200 MILLION, AT 1975 SURVEY PRICES, TO THE UK NATIONAL

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NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

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DEFINITION FIGURES. THIS ADDITION HAS NOT BEEN CHANGED  
AS A RESULT OF EITHER THE DEFENSE REVIEW OR THE SUBSE-  
QUENT CUTS.

4. THE CONVERSION TO NATO DEFINITION INVOLVES THE  
ADDITION OF THE ITEMS LISTED IN TABLE 2, ANNEX A OF THE  
ANNUAL DEFENCE WHITE PAPER.

FOR 75/6, THEY WERE (FIGURES IN POUNDS MILLIONS):

MILITARY AID TO OVERSEAS COUNTRIES - 1.6

ALLIED SERVICES

--ACCOMMODATION - MAINTENANCE/RENTAL VALUES -- 38.8

--STATIONERY AND PRINTING -- 24.6

--HOME PUBLICITY -- 4.2

--CIVIL SUPERANNUATION -- 81.1

--COMPUTERS AND TELECOMMUNICATIONS -- 9.4

--RATES ON GOVERNMENT PROPERTY -- 36.4

--SERVICES BY EXCHEQUER AND AUDIT DEPT. AND VARIOUS  
OTHER SERVICES -- 3.L

LESS COSTS OF METEOROLOGICAL SERVICES INCLUDED IN

DEFENSE BUDGET -- (MINUS) 16.8

OTHER ADJUSTMENTS -- 5.7

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TOTAL -- 187.L

5. AS TO THE YEARS 80/1 AND BEYOND, ANNUAL AVERAGES ARE SHOWN. AS WITH ALL OTHER PROGRAMMES, 80/1 WILL BE RECONSIDERED IN THE COURSE OF THE 1976 PESC. THE PROGRAMMES FOR THE SUBSEQUENT YEARS WILL BE SIMILARLY CONSIDERED AT A LATER DATE.

6. THE FIGURES IN THE DPQS FOR 1973, 74 AND 75 ARE ACTUAL OR FORECAST OUT-TURNS FOR THE YEARS UP TO 1974/5' ON NATO DEFINITION. THEY COMPARE WITH OUT-TURN ON UK DEFINITION AS FOLLOWS:

|          | UK OUT-TURN | NATO OUT-TURN | DIFF. |
|----------|-------------|---------------|-------|
| 197L/72  | 2828        | 2944          | L16   |
| L972/73  | 3091        | 3224          | 133   |
| L973/74  | 3981        | 3626          | 145   |
| 1974/75  | 4L64        | 4351          | 187   |
| 1975/76  |             |               |       |
| ESTIMATE | 4548        | 4735          | 187   |

THE 75/6 FIGURE IS AS SHOWN IN TABLE 2.1 OF THE RECENT PUBLIC EXPENDITURE WHITE PAPER (CMND 6393).

7. THE OUT-TURN FIGURES IN CMND 6393 ARE AT CONSTANT PRICES. THESE ARE ARRIVED AT BY DEFLATING THE ACTUAL OUT-TURN FOR EACH YEAR (AS SHOWN IN PARA 6 ABOVE) TO THE SURVEY PRICE BASE FOR THAT YEAR, E.G. 74/5 OUT-TURN OF 4164 BECOMES 3539 AT 1974 SURVEY PRICES, AS SHOWN IN PARA 2 ABOVE). THIS IS THEN REVALUED TO 1975 SURVEY PRICES BY THE APPLICATION OF THE INFLATION FACTOR DERIVED FROM THE PERMITTED PAY AND PRICES INCREASE IN THE 75/76 ESTIMATES, I.E. '22.9 PERCENT. THIS FACTOR IS ALSO USED TO REVALUE EARLIER YEARS' OUT-TURN FIGURES (WHICH HAVE ALREADY BEEN CONVERTED TO A COMMON SURVEY PRICE BASE) FROM 1974 TO 1975 SURVEY PRICES.

8. 1975 SURVEY PRICES REFLECT THE LEVEL OF PRICES IN THE AUTUMN OF 1974; 1976 PRICES RELATE TO AUTUMN 1975.

ARMSTRONG

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## Message Attributes

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